

INTELLIGENCE 21

Approved For Release 1999/09/10 : CIA-RDP83-00423R000301170001-8

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SECURITY INFORMATION

20 April 1953

Country: India

Subject: Uncertainty Among Foreign Investors/Labor Relations/Effect of Land Reform on Tire Business

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Source: [REDACTED]

1. Intense nationalism and pride are causing the Indian Government to do contradictory things that leave foreign companies uncertain about what to expect. Indians welcome foreign investment in enterprises which they feel they lack either funds or know-how to do themselves. At the same time they put established foreign firms under constant pressure to put Indian nationals into higher executive positions and openly favor any Indian firm that undertakes to compete. So far, there is no legislation to support this program, but foreign investors live under a constant threat of it. There is no reason to suspect that the program is designed to put pressure on individual firms to exact payment for relief as there is no discrimination shown.
2. In their haste to rid themselves of foreign "domination", the Indians disposed of technical people and then learned they were unable to handle necessary projects. They have had to swallow their pride and call in engineers to assist in such work as irrigation and hydro-electric development.
3. Their pride and perhaps their experience under British rule make Indians suspicious that foreign firms are exploiting them and there is a constant threat of price controls. At present, there is a so-called tariff investigation of the tire industry which is probably a prelude to such controls being established. Prices are about the same as in the U.S.
4. One US plant continues to have constant trouble with labor. Although they pay higher wages and furnish more fringe benefits than other employers, the other employers live peacefully with their help. The US firm can only conclude that they have been singled out for persecution. The fact that they are the largest foreign owned plant in their area would make them the top example of "Yankee imperialism", but they have never been able to prove their trouble was inspired by communists.
5. The chief demand of their Indian labor is for a greater bonus. This has grown in some cases to as much as five months extra pay per year. The Indians also continually demand a greater voice in management, at the supervisory level.
6. The land reform programs have already had a noticeable effect on tire sales. The large land holders used automobiles, trucks, tractors, and other mechanized farm equipment which the small operator cannot afford. It does not seem possible that India can expect as much badly needed food under the proposed programs.

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